

**ASSEMBLY BILL**

**No. 1122**

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**Introduced by Assembly Member Negrete McLeod**

February 21, 2003

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An act to amend Section 14105.45 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 1122, as introduced, Negrete McLeod. Pharmaceutical drugs: reimbursement: report to Legislature.

Existing law establishes the Medi-Cal program, administered by the State Department of Health Services, which provides qualified low-income persons with health care services, including prescription drugs.

Under existing law, the department is considered to be the purchaser of prescribed drugs under the Medi-Cal program, and is authorized to enter into contracts with manufacturers of prescription drugs, as specified.

Existing law requires the department to establish a list of Maximum Allowable Ingredient Costs (MAIC) for drugs based on reference to certain drug brands, to publish that list in Medi-Cal provider bulletins, and to update MAICs at least every two months.

This bill would require the department to report to the Legislature, by July 1, 2004, on the implementation of the requirements for the list of MAIC for prescription drugs.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 14105.45 of the Welfare and  
2 Institutions Code is amended to read:
- 3 14105.45. (a) The department shall establish a list of  
4 Maximum Allowable Ingredient Costs (MAIC) for drugs, which  
5 shall be published in provider bulletins. On the effective date of  
6 this section, ~~MAICS~~ MAICs listed in Title 22 of the California  
7 Code of Regulations shall be included in the list of ~~MAICS~~.  
8 MAICs. ~~MAICS~~ MAICs shall no longer be listed in regulations.  
9 The department shall repeal Section 51513.3 of Title 22 of the  
10 California Code of Regulations.
- 11 (b) The department shall update existing ~~MAICS~~ MAICs and  
12 establish additional ~~MAICS~~ MAICs in accordance with all of the  
13 following:
- 14 (1) The department shall base an MAIC on the mean of the  
15 wholesale selling prices of drugs generically equivalent to the  
16 innovator brand that are available in California from selected  
17 major wholesale drug distributors. For the purposes of this section,  
18 “wholesale selling price” means the price, including discounts  
19 and rebates, paid by a pharmacy to a wholesale drug distributor for  
20 a drug.
- 21 (2) The decision regarding therapeutic equivalency shall be  
22 based on the federal Food and Drug Administration  
23 determinations. For antacid drugs, therapeutic equivalency shall  
24 be determined by the department based on review of in vitro  
25 scientific data.
- 26 (3) The department shall request information from drug  
27 manufacturers regarding the availability of their products  
28 throughout the state to outpatient pharmacies through the usual  
29 and customary distribution channels in sufficient quantities to  
30 meet the needs of the Medi-Cal program.
- 31 (4) The department shall update ~~MAICS~~ MAICs at least every  
32 two months and notify Medi-Cal providers at least 30 days prior  
33 to the effective date of an MAIC.
- 34 (c) *The department shall report to the Legislature by July 1,*  
35 *2004, on the implementation of the requirements of this section*  
36 *regarding the list of MAICs for drugs.*
- 37 (d) Notwithstanding the provisions of Chapter 3.5  
38 (commencing with Section 11340) of Part 1 of Division 3 of Title

1 2 of the Government Code, actions under this section shall not be  
2 subject to the Administrative Procedure Act, or to the review and  
3 approval of the Office of Administrative Law.

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